



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Michigan *Office of the Auditor General* **REPORT SUMMARY**

Performance Audit

*Bureau of Workforce Transformation's (BWT's)
Oversight of the Michigan Works! Agencies (MWAs)
Workforce Development Agency
Michigan Strategic Fund (MSF)*

Report Number:
641-0820-07

Released:
July 2011

BWT was established in January 2008 to focus on lifelong learning as an important factor critical to the success of workers and employers in Michigan's rapidly transforming economy. BWT provided \$442 million in federal and State funding during fiscal year 2009-10 to the 25 MWAs located throughout the State. The 25 MWAs administer local workforce development programs and services that benefit the citizens of Michigan and assist employers by preparing individuals for work. Effective April 25, 2011, Executive Order No. 2011-4 transferred any authority, powers, duties, and functions of BWT to the newly created Workforce Development Agency within MSF.

Audit Objective:

To assess the effectiveness and efficiency of BWT's efforts to oversee selected activities of MWAs.

Audit Conclusion:

We concluded that BWT was not effective and efficient in its efforts to oversee selected activities of MWAs. We noted one material condition (Finding 1) and two reportable conditions (Findings 2 and 3).

Material Condition:

BWT needs to establish a comprehensive continuous quality improvement process to evaluate the successes and shortcomings of its workforce development programs (Finding 1).

Reportable Conditions:

BWT needs to improve its efforts to conduct on-site program monitoring to ensure that workforce development activities are sufficient to promote, establish, implement, and utilize methods

to achieve high-level performance and outcomes (Finding 2).

BWT needs to strengthen its disclosure and resolution process regarding potential conflicts of interest for MWA staff, MWA contractors and their employees, and workforce development board members (Finding 3).

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Audit Objective:

To assess the effectiveness and efficiency of BWT's fiscal oversight of MWAs.

Audit Conclusion:

We concluded that BWT was moderately effective and efficient in its fiscal oversight of MWAs. We noted two reportable conditions (Findings 4 and 5).

Reportable Conditions:

BWT did not require MWAs to report budgetary and expenditure information in detail sufficient for appropriate budgetary control (Finding 4).

BWT did not provide guidance to MWAs regarding the allowability and reasonableness of administrative expenditures (Finding 5).

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Audit Objective:

To assess the effectiveness of BWT's efforts to help individuals secure employment in long-term growth occupations.

Audit Conclusion:

We could not determine the effectiveness of BWT's efforts to help individuals secure employment in long-term growth occupations because of the lack of information available to evaluate participant activity for extended periods of time (Finding 1).

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Audit Objective:

To respond to a legislative request for specific information related to No Worker Left Behind (NWLB).

Audit Conclusion:

We responded to the legislative request for specific information related to NWLB. In addition, we presented two unaudited exhibits (Exhibits 6 and 7) of NWLB expenditures.

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Supplemental Information:

Our report provides data, analyses, and comparisons related to the activities of the MWAs. These include a Michigan map with MWA locations; Department of Energy, Labor & Economic Growth (DELEG) distributions to MWAs; a summary of dollars returned for dollars invested; three-year average return on investment by MWA for the Workforce Investment Act (WIA) Adult, WIA Dislocated Worker, and Work First Programs; WIA program expenditures for MWAs and contractors; and schedules of NWLB expenditures by program and by activity (Exhibits 1 through 7).

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Agency Responses:

Our audit report contains 5 findings and 5 corresponding recommendations. BWT's preliminary responses indicate that it agrees with 3 recommendations and partially agrees with 2 recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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AUDITOR GENERAL

July 1, 2011

Mr. Michael Finney, President and Chief Executive Officer
Michigan Strategic Fund
300 North Washington Square
Lansing, Michigan

Dear Mr. Finney:

This is our report on the performance audit of the Bureau of Workforce Transformation's Oversight of the Michigan Works! Agencies, Workforce Development Agency, Michigan Strategic Fund.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; various exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to address the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during the audit.

Auditor General

TABLE OF CONTENTS

BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT OF THE MICHIGAN WORKS! AGENCIES WORKFORCE DEVELOPMENT AGENCY MICHIGAN STRATEGIC FUND

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Agency	7
Audit Objectives, Scope, and Methodology and Agency Responses	9
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Oversight of Selected Activities of the Michigan Works! Agencies (MWAs)	14
1. Continuous Quality Improvement (CQI) Process	14
2. On-Site Program Monitoring	19
3. Conflicts of Interest	21
Fiscal Oversight of MWAs	24
4. MWA Expenditure Reporting	24
5. Program Administrative Expenditure Guidance	27
Efforts to Help Individuals Secure Employment in Long-Term Growth Occupations	29
No Worker Left Behind	30

SUPPLEMENTAL INFORMATION

Exhibit 1 - Michigan Works! Agencies	40
Exhibit 2 - DELEG Distributions to MWAs	43
Exhibit 3 - Summary of Dollars Returned for Dollars Invested	44
Exhibit 4 - Three-Year Average ROI by MWA for WIA Adult, WIA Dislocated Worker, and Work First Programs	46
Exhibit 5 - WIA Program Expenditures for Michigan Works! Agencies and Contractors	49
Exhibit 6 - Schedule of NWLB Expenditures by Program	52
Exhibit 7 - Schedule of NWLB Expenditures by Activity	56

GLOSSARY

Glossary of Acronyms and Terms	60
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Description of Agency

On January 17, 2008, the Department of Energy, Labor & Economic Growth (DELEG) established the Bureau of Workforce Transformation (BWT) to focus on lifelong learning as an important factor critical to the success of workers and employers in Michigan's rapidly transforming economy. BWT incorporates the former Bureau of Workforce Programs and Bureau of Career Education Programs. BWT has four divisions that address worker needs (Accelerating Employment Division; Lifelong Learning Division; Migrant, Immigrant and Seasonal Worker Services Division; and Veterans Division) along with two divisions that address employer needs (Meeting Employer Needs Division and Regional and Sectoral Strategies Division). BWT is responsible for policy development, fiscal management, and program participant and fiscal reporting for workforce development programs.

Effective April 25, 2011, Executive Order No. 2011-4 transferred any authority, powers, duties, and functions of the Bureau of Workforce Transformation to the newly created Workforce Development Agency within the Michigan Strategic Fund. Also, this Executive Order renamed DELEG as the Department of Licensing and Regulatory Affairs.

Title I of the federal Workforce Investment Act (WIA) of 1998 required states to develop a one-stop service center system via local workforce areas to provide employment and training services at centralized locations for use by employers and job seekers. As a result, Sections 408.111 - 408.135 of the *Michigan Compiled Laws* established the Michigan Works! One-Stop Service Center System (Michigan Works! System) to deliver workforce development programs and services tailored to local needs and to provide for consolidated access to employment and retention programs.

The Michigan Works! System is a customer-focused workforce development system that provides workforce development programs to the citizens of Michigan and assists employers by preparing individuals for work. This assistance, available to all employers and job seekers free of charge, helps provide employers with a supply of skilled workers and individuals with the opportunity to advance knowledge and skills to achieve economic self-sufficiency.

The Michigan Works! System includes 112 Michigan Works! Service Centers, administered by 25 Michigan Works! Agencies* (MWAs), that provide a wide range of employment, training, and career education services to everyone interested in finding a worker, finding a job, or getting career information. Employers seeking workers can list their job openings on the Internet-based public labor exchange system. Job seekers can post their résumés for review by employers recruiting workers. Services also include counseling, recruitment assistance, résumé writing, school-to-career transition, screenings, skills training, testing, and many others. Some programs target specific populations, such as veterans, Native Americans, and migrant workers.

The 25 MWAs each serve a geographical area within the State, ranging in size from 10 counties in Northwest Michigan to single counties such as Ottawa, Livingston, Washtenaw, and Oakland. Exhibit 1 presents a Michigan map showing the location of the 25 MWAs. A workforce development board, appointed by local elected officials, governs each MWA. A majority of the board members and the board chair must represent the private sector. Other board members represent community-based organizations, labor, education, social services, and vocational rehabilitation. Board members must serve their companies or agencies at a level that permits them to make decisions and commitments on behalf of their employer. MWAs do not directly provide services to employers and job seekers; instead, they oversee service providers selected through a competitive bidding process to best meet the workforce needs of their local area. MWA employees are not BWT (or State) employees.

BWT provided federal and State funding (94% federally funded) to the 25 local MWAs that administered the day-to-day operations of local workforce development programs and services. Funding sources included grants from the U.S. Departments of Agriculture, Labor, and Health and Human Services. Section 408.135 of the *Michigan Compiled Laws* (Act 491, P.A. 2006) assigned responsibility for the oversight of MWAs to DELEG.

For the fiscal year ended September 30, 2010, BWT directly expended \$25 million, distributed \$442 million to the 25 MWAs, and had 250 full-time equated employees. Exhibit 2 lists DELEG distributions to the MWAs in fiscal years 2007-08, 2008-09, and 2009-10.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of the Bureau of Workforce Transformation's (BWT's) Oversight of the Michigan Works! Agencies (MWAs), Workforce Development Agency, Michigan Strategic Fund, had the following objectives:

1. To assess the effectiveness* and efficiency* of BWT's efforts to oversee selected activities of MWAs.
2. To assess the effectiveness and efficiency of BWT's fiscal oversight of MWAs.
3. To assess the effectiveness of BWT's efforts to help individuals secure employment in long-term growth occupations.
4. To respond to a legislative request for specific information related to No Worker Left Behind (NWLB).

Audit Scope

Our audit scope was to examine program and other records of the Bureau of Workforce Transformation (including the former Bureau of Workforce Programs) as well as selected financial and performance data from the 25 Michigan Works! Agencies. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures related to the first three objectives were conducted from May 2007 through November 2008 and from July 2009 through February 2010 and included an examination of program records and other financial data of BWT and the 25 MWAs generally for the period June 2005 through February 2010. Our audit procedures related to the fourth audit objective were conducted from June through September 2010 and included examination of NWLB records and other NWLB financial data.

* See glossary at end of report for definition.

As part of our audit report, we included supplemental information that relates to our audit objectives (Exhibits 1 through 7). Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Audit Methodology

We conducted a preliminary review of BWT's roles and responsibilities for workforce development activities and its oversight of the 25 MWAs (Exhibit 1). We interviewed BWT staff, Department of Energy, Labor & Economic Growth (DELEG) Monitoring Unit staff, and staff at one MWA (Calhoun Intermediate School District) to help obtain an understanding of the workforce development system and the level of program activity and expenditure reporting available to evaluate. We reviewed applicable federal regulations, State statutes, administrative rules, and BWT policies and procedures. We gained an understanding of DELEG's oversight activities for the 25 MWAs, including the monitoring cycles performed by DELEG's Monitoring Unit to determine MWA compliance with federal fiscal and administrative requirements.

To complete our audit objectives, we obtained an understanding of BWT's methodologies used to distribute State and federal funding to the MWAs. We examined various funding allocations made to MWAs to determine BWT's compliance with federal regulations and policies and procedures. We reviewed MWA program applications to determine the level of review and approval conducted by BWT, including the use of budgets and spending plans. We surveyed the 25 MWAs to gather expenditure data related to workforce development programs and activities. We analyzed the data collected from the MWAs to compare actual expenditures with program activity data to identify correlations between MWAs. Based on our analysis, we selected the following 6 MWAs to visit as part of our audit fieldwork:

- Area Community Services Employment and Training (ACSET) Council
- Capital Area Michigan Works!
- Macomb/St. Clair Workforce Development Board
- South Central Michigan Works!
- Southeast Michigan Community Alliance (SEMCA) Michigan Works!
- Washtenaw County Michigan Works!/Employment Training and Community Services Group

During our MWA visits, we interviewed MWA staff to determine how they conducted various administrative activities for their workforce development programs. Also, we inquired about MWA practices, including the provision of services to program participants; the roles of the workforce development board, MWA staff, and contractors in the local workforce development system; program funding issues (including budgets and spending plans); program monitoring and evaluation; and program reporting. We discussed with MWA staff DELEG's role in the provision of oversight for MWA (local) workforce development programs and activities. We reviewed MWA financial transactions (general ledgers) to assess the appropriateness and reasonableness of MWA financial activities.

During our MWA visits, we randomly selected workforce development program participants who exited the program between June 1, 2005 and May 31, 2006 at each of the 6 MWAs in the two categories of those who received training and those who did not receive training. For these participants, we reviewed supporting documentation maintained at the MWAs to document the type of training or services that they received, the cost associated with the training or services, whether they found employment upon exiting the program in a field related to the training or services received, the employment status of the program participant for nine months after exiting the program, and whether the training or services that they received contributed to long-term gains or advancement by the program participant.

In addition, we obtained an understanding of the negotiated performance level indicators, including the development of these federally mandated indicators and the attainment of these indicators, both on a Statewide and individual MWA basis. We obtained an understanding of BWT's role in providing oversight of the 25 MWAs, including program monitoring and the provision of training to the MWAs. We surveyed a number of workforce development board directors to obtain an understanding of their roles in the workforce development program process and the level of oversight they provide for their respective MWAs. We examined BWT's process to help limit concerns over independence and conflicts of interest among both BWT staff and MWA personnel, including members of workforce development boards and MWA contractors. We reviewed BWT data reporting processes and actions taken to ensure the accuracy of program data reported to BWT by the MWAs.

To respond to the legislative request for specific information related to NWLB, we interviewed BWT staff to obtain an understanding of NWLB and reviewed NWLB's policies and procedures, applicable laws and regulations, financial records, and participant data. In addition, we conducted site visits and reviewed NWLB records for documentation adequacy.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

Agency Responses

Our audit report contains 5 findings and 5 corresponding recommendations. BWT's preliminary responses indicate that it agrees with 3 recommendations and partially agrees with 2 recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require the Department of Licensing and Regulatory Affairs to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services will review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

OVERSIGHT OF SELECTED ACTIVITIES OF THE MICHIGAN WORKS! AGENCIES (MWAs)

COMMENT

Background: Within this audit objective, we selected the following activities to review: continuous quality improvement; data collection and reporting; MWA effectiveness and efficiency; on-site program monitoring; participant training activities; potential conflicts of interest; program evaluation; and use of funds.

Audit Objective: To assess the effectiveness and efficiency of the Bureau of Workforce Transformation's (BWT's) efforts to oversee selected activities of MWAs.

Audit Conclusion: We concluded that BWT was not effective and efficient in its efforts to oversee selected activities of MWAs. Our audit disclosed one material condition*. BWT did not have a comprehensive continuous quality improvement* process to evaluate the successes and shortcomings of its workforce development programs (Finding 1).

Our audit also disclosed two reportable conditions* related to on-site program monitoring and conflicts of interest (Findings 2 and 3).

FINDING

1. Continuous Quality Improvement (CQI) Process

BWT needs to establish a comprehensive CQI process to evaluate the successes and shortcomings of its workforce development programs. As a result, BWT could not assess the worthiness of programs and perform qualitative analyses necessary for making informed decisions regarding program improvements.

A comprehensive CQI process includes: performance indicators for measuring outputs* and outcomes*; performance standards* or goals* that describe the desired level of outputs and outcomes based on management expectations and/or benchmarks to peer and historical performance trends; a management information system to accurately gather relevant output and outcome data on a timely basis; a comparative analysis of actual data to desired outputs and outcomes; a reporting of the comparison results to management; and recommendations to improve

* See glossary at end of report for definition.

effectiveness and efficiency and/or to change desired performance standards or goals. Such a process is imperative for the workforce development programs that included distributions of federal funds averaging \$375 million annually to the 25 MWAs during the four-year period ended September 30, 2010.

BWT initiated some CQI related efforts, such as gathering and compiling Statewide data related to 17 common measures required by Workforce Investment Act (WIA) legislation. However, many of the 17 common measures addressed program outputs without providing information necessary to evaluate program outcomes.

Our review identified the following examples of program specific evaluative deficiencies that could be remedied in a comprehensive CQI process:

- a. BWT did not evaluate outcomes related to training and placement programs delivered by the MWAs and their contractors.

Our evaluation of data contained in case files of 300 randomly selected WIA Adult Program, WIA Dislocated Worker* Program, and Trade Adjustment Assistance (TAA) Program* participants who exited a program between June 1, 2005 and May 31, 2006 (150 of whom received training and 150 of whom did not receive training) disclosed the following examples of outcomes that BWT did not evaluate:

(1) Of 150 program participants who received training:

- (a) 138 (92%) obtained employment upon exiting the program, including 52 participants who received a promise of continued employment with their current employer upon completion of the training (also referred to as incumbent workers*).
- (b) 50 (33%) reentered a program at a later date and 26 (17%) reentered a program multiple times.
- (c) 19 (19%) of the 98 non-incumbent workers did not obtain employment in a training-related position upon completion of the training.

* See glossary at end of report for definition.

- (d) 14 (14%) of the 98 non-incumbent workers did not complete the scheduled training. Training costs for these 14 participants totaled \$52,395.

(2) Of 150 program participants who did not receive training:

- (a) 111 (74%) obtained employment upon exiting the program.
- (b) 62 (41%) reentered a program at a later date and 36 (24%) reentered a program multiple times.

Based on our analysis, we noted moderate incremental gains when comparing those participants who received training with those participants who did not receive training. BWT's further evaluation of outcomes related to training and placement programs delivered by the MWAs and their contractors would help determine if the additional costs associated with the provision of training justify the incremental gains achieved or whether alternative methods of assistance should be considered to provide more effective results.

- b. BWT did not effectively evaluate the employment retention rate of program participants, which is an outcome indicator of the long-term success of the workforce development programs delivered by the MWAs and their contractors. The results of the outcome indicator may have influenced decisions to improve program content.

Three of WIA's common measures addressed the employment retention rate of program participants at varying three-month intervals after exiting the program. However, based on BWT's following of U.S. Department of Labor (USDOL) instructions, an individual working five days a week, eight hours a day in a three-month interval and an individual working only a half-day just once during the three-month interval would both be considered "employed" for reporting purposes. Thus, the common measures are of little value in evaluating the employment retention rate among program participants. A more meaningful measurement would incorporate the time the individuals were employed in each three-month interval against a desired benchmark.

- c. BWT did not collect post-training employment data at levels sufficient to evaluate the short-term success of programs delivered by the MWAs and their contractors. Also, BWT did not collect any post-training data necessary to evaluate the long-term success of program participants. Such data may influence decisions to improve program content.

BWT's WIA Program Management Information Guide encourages MWAs to report outcome data in BWT's One Stop Management Information System (OSMIS) for the first three quarters after a participant exits the program. However, OSMIS lacked sufficient levels of follow-up data for one or more of the first three quarters after program exit for 72 (24%) of 300 randomly selected participants in training programs from June 1, 2005 through May 31, 2006. In addition:

- (1) OSMIS utilized a simple yes or no for an individual's employment status without providing any detail regarding the type of employment.
 - (2) OSMIS only recorded whether the employment was related to the training received for the first quarter after program exit, thus limiting long-term program effectiveness determinations.
 - (3) BWT did not require the MWAs to record wage data in OSMIS for incumbent workers exiting the program. From our sample of 52 incumbent workers who received program training, OSMIS did not contain wage data for 26 (50%) incumbent workers. OSMIS contained hourly wage data after 90 days for only 6 (12%) of the 52 incumbent workers. This data would be useful in evaluating outcomes related to wage earnings.
- d. BWT did not utilize readily available information to assess program performance and facilitate decisions about program improvement. For example, the Michigan Works! Association* publishes an annual report entitled *Return on Investment - A Report on the Public Return on Investment Value of the Michigan Works! System*. Over the years, this report has identified a dollar amount representing a Statewide return for every dollar invested in three

* See glossary at end of report for definition.

programs: WIA Adult Program, WIA Dislocated Worker Program, and Work First Program (now referred to as the Jobs, Education, and Training [JET] Program*). Also included in this report is a Statewide average cost per placement for each of the three programs. Exhibit 3 presents a summary of dollars returned for dollars invested from 2003 through 2008.

While Statewide return on investment* (ROI) information provides one perspective, ROI information calculated on an MWA basis would provide BWT management with another tool to help evaluate individual MWA performance. Methodologies and approaches utilized by top-performing MWAs could then be replicated with underperforming MWAs in similar circumstances. This level of comparison may also help improve the competitive balance among MWAs. Exhibit 4 presents average ROI results by WIA program* over a three-year period (2005 through 2007).

In addition, the need for a comprehensive CQI process is critical to the State appropriation process. Although federal grants have historically funded the majority of workforce development programs, BWT has continued to seek additional State funding to supplement the federal funding received for the No Worker Left Behind Program. Immediate and long-term evaluations of program outcomes that are inherent in a comprehensive CQI process would assist the Legislature in its decisions to appropriate State funding for BWT's workforce development programs.

RECOMMENDATION

We recommend that BWT establish a comprehensive CQI process to evaluate the successes and shortcomings of its workforce development programs.

AGENCY PRELIMINARY RESPONSE

BWT agrees and will explore the feasibility of achieving full compliance. BWT noted that it has already implemented some measures to improve the effectiveness and efficiency of programs in response to data review and evaluation.

BWT believes that it does have a CQI process in place that encompasses the components identified in this report. BWT stated that it collects, reviews, assesses,

** See glossary at end of report for definition.*

and reports program data and outcomes in accordance with the State and federal statutes that provide the program funding and performance goals. BWT informed us that under the BWT administration and oversight of WIA and TAA, the State of Michigan has met or exceeded the established federal performance goals.

BWT does acknowledge that more extensive evaluation of all participant and fiscal data, a complete review of all individual case files, longer-term participant tracking, and access to more current wage-record data would likely generate additional recommendations for program modifications and improvements; however, such efforts are very time consuming, labor intense, and expensive. At a minimum, BWT stated that it would require increasing staff capacity and technology upgrades beyond the current level of available funding. BWT will explore the availability of additional funding for more extensive evaluation.

FINDING

2. On-Site Program Monitoring

BWT needs to improve its efforts to conduct on-site program monitoring to ensure that workforce development activities are sufficient to promote, establish, implement, and utilize methods to achieve high-level performance and outcomes. As a result, BWT did not have evaluative data necessary to formulate conclusions related to the effectiveness and efficiency of distributions of federal funds averaging \$375 million annually to the 25 MWAs for workforce development programs during the four-year period ended September 30, 2010.

Chapter 6, Section (e)(1) of the federal WIA requires states to conduct an ongoing evaluation of workforce investment activities to promote, establish, implement, and utilize methods to achieve high-level performance and outcomes. WIA also states that evaluation should include the identification of methods to promote the efficiency and effectiveness of the workforce investment system to improve jobseeker employability. Also, Title 29, Part 97, section 40 of the *Code of Federal Regulations* requires grantees to monitor grant and subgrant supported activities to ensure compliance with applicable federal requirements and achievement of performance goals.

Our review disclosed the following deficiencies related to BWT's on-site program monitoring activities:

- a. BWT did not conduct regular, on-site program monitoring for the WIA and TAA programs. On-site program monitoring is necessary for BWT to fulfill its responsibility to conduct ongoing evaluations of workforce development activities.

A 2004 program review conducted by USDOL Employment and Training Administration Region V required the Department of Energy, Labor & Economic Growth (DELEG) to conduct regular programmatic monitoring of all MWAs to ensure compliance with all aspects of WIA, in addition to fiscal and administrative requirements. BWT replied to USDOL that BWT would resume on-site field reviews in 2005. However, BWT performed the following on-site reviews of the 25 MWAs:

<u>Fiscal Year</u>	<u>WIA Program On-Site Reviews Completed</u>	<u>TAA Program On-Site Reviews Completed</u>
2004-05	7 (28%)	0 (0%)
2005-06	3 (12%)	5 (20%)
2006-07	1 (4%)	7 (28%)

Since fiscal year 2006-07, BWT conducted no formal on-site monitoring visits. However, BWT has since developed a new WIA field review guide that it shared with USDOL Region V staff in September 2010. According to BWT, USDOL communicated to BWT that the guide and its proposed use met the intent of USDOL.

BWT conducted two test field reviews in November 2010 and identified omitted elements considered to be crucial to the success of the field review guide. BWT informed us that it intends to resume field reviews in June 2011.

- b. BWT did not use a risk-based approach to schedule on-site monitoring visits of MWAs. Using a risk-based approach for scheduling MWA visits would help to maximize BWT's limited resources. For example, a risk-based approach for scheduling MWA visits would involve a decision matrix that identifies criteria for the frequency of visits to the 25 MWAs as well as the level of identified

deficiencies that would influence the frequency of on-site visits. However, we found that BWT reviewers scheduled MWA on-site visits based simply on the length of time since the completion of the prior on-site visit and on the MWAs proximity to Lansing.

RECOMMENDATION

We recommend that BWT continue to improve its efforts to conduct on-site program monitoring to ensure that workforce development activities are sufficient to promote, establish, implement, and utilize methods to achieve high-level performance and outcomes.

AGENCY PRELIMINARY RESPONSE

BWT agrees and stated that it has either complied or taken appropriate steps to comply with the recommendation. BWT informed us that since fiscal year 2008-09, BWT also:

- Revised a comprehensive TAA programmatic review guide;
- Began conducting TAA on-site monitoring in March 2010 (16 on-site reviews have been conducted to date);
- Identified best practices, findings, or concerns with local program design, local staff training needs, and program areas needing additional clarification for the WIA and TAA programs.

BWT noted that WIA and TAA visits to each MWA will now be scheduled annually, with additional follow-up based on review outcomes, as necessary.

FINDING

3. Conflicts of Interest

BWT needs to strengthen its disclosure and resolution process regarding potential conflicts of interest for MWA staff, MWA contractors and their employees, and workforce development board members. As a result, BWT could not ensure that key MWA staff, contracted employees, and workforce development board members conducted their responsibilities in a fair and independent manner.

Requiring all MWA staff, MWA contractors and their employees, and workforce development board members to disclose potential conflicts of interest and have a process to ensure the resolution of identified conflicts of interest helps ensure that decisions and actions are made in the best interests of the workforce development programs and the public good. Stringently enforcing conflict of interest requirements makes it clear that direct or indirect personal interests that are inconsistent with or interfere in any way with the best interests of the workforce development programs are unacceptable.

Our review of BWT's requirements and processes related to conflicts of interest disclosed:

- a. BWT did not require MWA staff and MWA contractors' employees to periodically disclose and resolve potential conflicts of interest.

Of the 6 MWAs that we visited, 5 MWAs did not require their employees or their contractors' employees to annually disclose potential conflicts of interest. Although all 6 MWAs had some type of conflict of interest policy, 3 MWAs did not require employees to sign a conflict of interest disclosure of any kind and 2 other MWAs only required employees to sign a conflict of interest disclosure upon hire.

- b. BWT did not attempt to verify the completeness of conflicts of interest reported by workforce development boards. As part of BWT's semiannual board recertification process, BWT requires that workforce development boards file conflict of interest disclosure reports for board members. However, not all potential conflicts of interest were disclosed in the reports.

By comparing a BWT-maintained list of MWA contractors (March through May 2008) to the then current workforce development board members, we identified 15 potential conflicts of interest. Of the 15 identified potential conflicts of interest, 4 were not included on the disclosure reports submitted to DELEG:

- (1) One MWA contracted with an intermediate school district (ISD) for which the ISD contact person was an ISD department director and also served on the MWA's workforce development board.

- (2) One MWA contracted with a Michigan Technical Education Center (M-TEC) for which the M-TEC contact person was the M-TEC executive director and also served on the MWA's workforce development board.
 - (3) One MWA contracted with an ISD for which the ISD's board of education president also served on the MWA's workforce development board.
 - (4) One MWA contracted with a nonprofit organization for which the contact person was the organization's executive director and also served on the MWA's workforce development board.
- c. BWT did not follow up on reported conflicts of interest to ensure that they were appropriately resolved. Without further disposition, BWT received and filed the conflict of interest disclosure reports together with each board's conflict of interest attestation of resolution signed by the local chief elected official.

RECOMMENDATION

We recommend that BWT strengthen its disclosure and resolution process regarding potential conflicts of interest for MWA staff, MWA contractors and their employees, and workforce development board members.

AGENCY PRELIMINARY RESPONSE

BWT partially agrees.

MWA Staff and Contractors

BWT informed us that annually the Office of Audit and Financial Compliance obtains and reviews a copy of each MWA and select service providers' standards of conduct, which govern the performance of their employees engaged in the award and administration of contracts. BWT noted that MWA standards of conduct monitoring is carried out and complies with the U.S. Office of Management and Budget's Common Rule. BWT also noted that if an MWA or a service provider is found to not be in compliance with the requirements, corrective action is required.

Workforce Development Board Members

Since the Office of the Auditor General (OAG) review was completed, BWT informed us that it has developed a more comprehensive desk audit/site review

process and amended the forms used for disclosure of possible conflicts of interest by local workforce development boards to include the date of the meeting in which the vote in question was taken. BWT noted that upon receiving the disclosure form at the end of each calendar year, BWT staff review the applicable meeting minutes of the local workforce development board to ensure that the member actually abstained from voting on the expenditure. In order to address actual (vs. perceived) conflict of interest situations in a timely manner, the workforce development board certification policy will be updated to include a requirement that each workforce development board submit a Workforce Development Board Disclosure Report Form following each meeting. The form will document that a member has abstained from voting due to a perceived conflict of interest and will include the meeting minutes indicating the member's abstention.

BWT noted that per federal and State statute, educators are a required sector of the local workforce development board and are allowed to remain as members of the board without presenting a conflict of interest despite receiving funding from the boards, provided the member does not receive a direct benefit from the expenditure, disclosure of the perceived conflict is made to BWT, and the member abstains from voting on the specific item in question.

FISCAL OVERSIGHT OF MWAs

COMMENT

Audit Objective: To assess the effectiveness and efficiency of BWT's fiscal oversight of MWAs.

Audit Conclusion: We concluded that BWT was moderately effective and efficient in its fiscal oversight of MWAs. Our audit disclosed two reportable conditions related to MWA expenditure reporting and program administrative expenditure guidance (Findings 4 and 5).

FINDING

4. MWA Expenditure Reporting

BWT did not require MWAs to report budgetary and expenditure information in detail sufficient for appropriate budgetary control. As a result, BWT could not

identify variances between budgeted and actual MWA expenditures to evaluate variances and their impact on program results. Also, BWT could not make meaningful comparisons of program activity by expenditure type necessary to effectively evaluate overall and individual MWA performance.

To help determine how much program funding directly impacted program participants, we requested the 25 MWAs to report expenditure data distinguishing between direct MWA expenditures and MWA contractor expenditures. We also requested the MWAs to report expenditure data by detailed cost categories (salaries, wages, benefits, participant training, tuition, and books). However, 13 (52%) of the 25 MWAs either did not or could not provide us with the requested level of expenditure detail.

The 12 reporting MWAs expended more than \$66 million for the WIA Adult Program, WIA Dislocated Worker Program, and Youth Program. These MWAs expended \$30 million (45%) for salaries, \$23 million (35%) for participant-direct* payments, and \$13 million (20%) for other expenditures. For the participant-direct expenditure component, the following table illustrates the range of variances among MWAs by WIA program:

WIA Program	Percentage of Program Funding Classified as Participant-Direct Expenditures	
	High	Low
WIA Adult Program	76%	12%
WIA Dislocated Worker Program	72%	4%
Youth Program	72%	3%
WIA Total	71%	14%

In many cases, Michigan's changing workforce requires additional education and/or training to become marketable in the current economic environment. As a result, we would expect participant-direct expenditures to make up a significant portion of MWA expenditures. However, we noted that some MWAs expended as little as 3%, 4%, and 12% of program funding on participant-direct activities. Exhibit 5 provides a comparative analysis of categorical expenditures for reporting MWAs.

* See glossary at end of report for definition.

The lack of detail in MWA budgetary and expenditure reporting and BWT's limited on-site monitoring of the MWAs (see Finding 2) make it difficult to determine the reasons for such wide variances in participant-direct expenditures by MWA. However, questionable administrative expenditures identified at some MWAs (see Finding 5) further highlight the need for greater detail in MWA budgetary and expenditure reporting to help ensure the prudent use of program funding.

BWT directives for the WIA Adult Program and the WIA Dislocated Worker Program require MWAs to report program expenditures in four categories: administration, core services, intensive services, and training services. Also, BWT policies require MWAs to report all costs incurred by its contractors as program costs (core, intensive, and training services), regardless of the type or nature of the expenditure. BWT did not require further reporting detail within these four categories.

Also, BWT did not require MWAs to submit WIA program budgets at the same level of detail as expenditure reports. While MWA local plans provide descriptions of how the MWA intends to provide services to its customers, annual budgets only provide a breakdown of expenditures in two broad categories: administration and program.

RECOMMENDATION

We recommend that BWT require MWAs to report budgetary and expenditure information in detail sufficient for appropriate budgetary control.

AGENCY PRELIMINARY RESPONSE

BWT partially agrees.

BWT disputes the assertion that MWAs do not retain sufficient budgetary expenditure detail because all agencies provide the information necessary for the State to meet federal fiscal reporting requirements.

BWT concurs that it did not require MWAs to submit expenditure detail as a part of routine quarterly fiscal reporting that would allow analysis of MWA participant-direct expenditures. Accordingly, BWT informed us that it will explore

the feasibility of implementing additional budgetary and expenditure reporting controls. BWT noted that although monitoring of expenditures at the level of detail outlined in this report may assist in the evaluation of programs, costs associated with implementation, such as staffing and other ancillary resources, are not currently available given existing funding levels.

FINDING

5. Program Administrative Expenditure Guidance

BWT did not provide guidance to MWAs regarding the allowability and reasonableness of administrative expenditures. As a result, some MWAs did not exercise sufficient prudence in expending public funds on program administration.

Some MWA administrative expenditures that we reviewed raised questions of allowability and reasonableness that could result in federal recovery of funds and sanctions on future grant awards and jeopardize the State's ability to secure future federal funding for job training programs. Providing guidance regarding the allowability and reasonableness of administrative expenditures would help reduce these possibilities and help maximize the utilization of the State's limited funding for job training programs.

During the four-year period ended September 30, 2010, BWT distributed federal funds averaging \$375 million annually to the 25 MWAs for workforce development programs. Federal regulations provide general guidance for each federal funding source on allowable funding uses, including categorical spending limitations for administrative activities. However, the regulations do not provide specific guidance regarding the allowability and reasonableness of administrative expenditures in areas, such as MWA staff compensation, travel, lodging, meals, and education, otherwise left to individual discretion and interpretation of each MWA.

Our review of general ledgers at 6 MWAs that we visited disclosed the following examples of expenditures that we considered to be an unreasonable and/or questionable use of public funds:

- a. From January 1, 2008 through June 30, 2008, 2 MWAs expended a combined total of \$15,416 for college tuition and books for five MWA staff. The

expenditures included reimbursement to a chief operating officer to pursue a bachelor's degree in business administration, reimbursements to a quality assurance officer and a management information system supervisor to pursue a master's degree in public administration, reimbursement to an accounting assistant to pursue an accounting degree, and reimbursement to a chief communications officer who had no degree specified.

The MWAs considered these expenditures to be allowable and reasonable as continuing professional education expenditures.

- b. One MWA expended \$18,138 for a weekend retreat that included meals and lodging for 30 workforce development board members, program staff, and administrative staff. The weekend retreat was to include discussion and guidance on the MWA's programs and the delivery of services to its customers. Meals and lodging for the retreat included:
 - (1) Food costs totaling \$9,873 that averaged \$329 per person for the two-day period. By comparison, the State authorized travel rates would have limited meal costs for the same two-day period to \$62 per person for a total of \$1,860 (\$8,013 less than expended by the MWA).
 - (2) Lodging costs totaling \$8,265 for 60 nights at \$126 per night and 3 nights at \$232 per night. By comparison, the State authorized travel rates would have limited lodging costs to \$65 per night, plus taxes, for an estimated total cost of \$4,505 (\$3,760 less than expended by the MWA).
- c. Over a three-month period in 2008, 1 MWA expended \$1,076 for recurring social and capital dues at a local country club. During this same three-month period, this MWA also expended \$1,045 for food and beverages and an additional \$194 for gratuities.
- d. One MWA expended public funds for monthly massages for its administrative staff, describing the massages as an optional employment benefit. The MWA paid a masseuse for the full price of the massage (\$20) but sought reimbursement from staff for half of the cost (\$10) of each massage. The MWA paid for six massages during the month we examined (May 2008).

Separate from the 6 MWAs we visited, another MWA reported that it paid off accrued sick leave balances for some of its staff during their tenure of employment with the MWA. The MWA's five highest compensated employees received approximately \$31,500 in accrued sick leave pay-offs during 2007. For example, the MWA director was paid for 43 unused sick leave days, the chief operating officer was paid for 37.5 unused sick leave days, and the business community development director was paid for 32.8 unused sick leave days. By comparison, the State does not pay off any accrued unused sick leave balances to its active employees and, for State employees hired on or before October 1, 1980, the State pays for half of their accrued unused sick leave upon separation. State employees hired after October 1, 1980 do not receive payment for any unused sick leave days.

RECOMMENDATION

We recommend that BWT provide guidance to MWAs regarding the allowability and reasonableness of administrative expenditures.

AGENCY PRELIMINARY RESPONSE

BWT agrees and will develop and disseminate additional guidance to the MWAs that addresses administrative expenditures and the importance of reasonableness and fiscal prudence.

EFFORTS TO HELP INDIVIDUALS SECURE EMPLOYMENT IN LONG-TERM GROWTH OCCUPATIONS

COMMENT

Audit Objective: To assess the effectiveness of BWT's efforts to help individuals secure employment in long-term growth occupations.

Audit Conclusion: We could not determine the effectiveness of BWT's efforts to help individuals secure employment in long-term growth occupations because of the lack of information available to evaluate participant activity for extended periods of time (Finding 1).

NO WORKER LEFT BEHIND

COMMENT

Background: On August 1, 2007, Governor Jennifer Granholm established the No Worker Left Behind (NWLB) workforce training initiative. NWLB marketed existing State and federally funded workforce training programs as a single initiative with an emphasis on long-term training*.

Under the NWLB Initiative, Michigan residents who were unemployed, were at risk of losing their jobs, or were trying to advance from low-wage jobs could receive funding for two years of college tuition and fees (up to \$10,000) to obtain a degree or certificate in a high-demand occupation, an emerging industry*, or an entrepreneurship program at any Michigan community college, private college, university, or other approved training program.

The following BWT workforce training programs and corresponding expenditures for the two-year period ended September 30, 2010 were included in the NWLB Initiative (in millions):

Program	State	Federal	Total
Workforce Investment Act (WIA)	\$	\$355.3	\$355.3
Trade Adjustment Assistance (TAA)		100.0	100.0
Jobs, Education, and Training (JET)	31.0	158.7	189.7
NWLB General Fund/general purpose	7.1		7.1
Other		6.5	6.5
Total	\$38.1	\$620.5	\$658.5

Audit Objective: To respond to a legislative request for specific information related to NWLB.

* See glossary at end of report for definition.

Audit Conclusion: We responded to the legislative request for specific information related to NWLB. In addition, we presented two unaudited exhibits (Exhibits 6 and 7) of NWLB expenditures. Our responses to the legislative request are as follows:

Accuracy of NWLB Outcomes Report

Legislative Request: Perform tests to validate the accuracy of the data presented in BWT's report entitled *No Worker Left Behind - Outcomes for the First 18 Months, August 1, 2007 - February 28, 2009*.

OAG Determination: We could not validate the accuracy of the data presented in BWT's report entitled *No Worker Left Behind - Outcomes for the First 18 Months, August 1, 2007 - February 28, 2009*. In addition, we could not validate BWT's second outcomes report entitled *No Worker Left Behind - Outcomes, August 1, 2007 - December 31, 2009*.

The majority of the data presented in these reports was derived from BWT's OSMIS, which is a real-time on-line database system that is updated continuously as events occur. BWT did not retain the source data that generated the reports and could not produce detailed participant-level data to replicate the data in the reports. As a result, we could not conduct tests to validate the accuracy of the data presented in the reports.

Agency Preliminary Response: BWT stated that a large number of reports are produced, including NWLB reports, which are used for program management. BWT stated that some reports are done daily, some monthly, and others quarterly. BWT added that all of these program management reports are derived from the real-time OSMIS database, which is continuously updated as more current and more complete data is entered. Also, BWT stated that the same report run at different times can and does produce different results. BWT responded that this is the way that OSMIS is designed and is desirable given that such reports should always include the most accurate and up-to-date data possible. BWT informed us that freezing data each time one of these daily, monthly, or quarterly reports are created, or taking a snapshot of the complete database just so that data can be validated, while technologically possible, is prohibitively costly and an inefficient use of information technology resources. In addition, BWT stated that given the large number of NWLB participants, the multiple programs they can be registered in, and the length of time they could be in NWLB, the amount of data that would

have to be "frozen" and archived each time a report was created would be extremely large and costly to maintain.

NWLB Compliance

Legislative Request: Determine NWLB compliance with applicable constitutional and statutory provisions, rules promulgated pursuant to these statutory provisions, guidelines, directives, policies, and procedures.

OAG Determination: NWLB consists of several State and federally funded workforce training programs, each of which has specific constitutional and statutory provisions, rules promulgated pursuant to these statutory provisions, guidelines, directives, policies, and procedures with which to comply. Therefore, NWLB's funding and BWT's compliance with applicable federal and State laws and regulations is audited and reported separately in our biennial financial audit, including the provisions of the Single Audit Act, of the Department of Energy, Labor & Economic Growth (641-0100-11). This audit addressed 9 federal programs related to the NWLB initiative. We issued unqualified compliance opinions on all 9 programs but identified significant deficiencies in internal control over federal compliance for 4 of the programs.

Agency Preliminary Response: BWT concurs with this determination.

NWLB Mission, Goals, and Objectives

Legislative Request: Determine whether NWLB had established unique program-specific missions, goals, and objectives and whether the outcomes reported in BWT's report entitled *No Worker Left Behind - Outcomes for the First 18 Months, August 1, 2007 - February 28, 2009* are in accordance with the unique NWLB missions, goals, or objectives.

OAG Determination: BWT established an NWLB mission and corresponding goals with which to measure NWLB progress during the first three years of the initiative. However, BWT's reports did not provide comparative data necessary to demonstrate that NWLB outcomes aligned with NWLB goals.

NWLB's mission was to provide more than 100,000 Michigan residents who were unemployed, at risk of losing their jobs, or trying to advance from low-wage jobs,

with an opportunity to obtain a degree or certificate in a high-demand occupation, an emerging industry, or an entrepreneurship program within the first three years of NWLB's inception.

Also, BWT established the following NWLB goals:

1. To raise the percentage of displaced residents who attain certificates and degrees;
2. To increase the number of participants who gain employment related to the training received; and
3. To increase the percentage of participants who achieve wage increases due at least in part to their participation in the NWLB Initiative.

In addition to BWT's first outcomes report, *No Worker Left Behind - Outcomes for the First 18 Months, August 1, 2007 - February 28, 2009*, BWT issued a second outcomes report entitled *No Worker Left Behind - Outcomes, August 1, 2007 - December 31, 2009*. These NWLB outcomes reports disclosed the number of participants who enrolled in training; the training status for each participant enrolled; the number of participants who completed training; and the employment status for each participant who completed training.

BWT's second outcomes report, *No Worker Left Behind - Outcomes, August 1, 2007 - December 31, 2009*, disclosed that the number of Michigan residents enrolled in the NWLB Initiative was 110,823. However, as previously noted, we could not conduct tests to validate the accuracy of the data presented in either report because BWT did not retain the source data that generated the reports and could not produce detailed participant-level data to replicate the data in the reports.

In addition, our review disclosed that the outcomes reports did not provide any comparison of pre-NWLB to post-NWLB data that would have effectively demonstrated that outcomes aligned with the following NWLB goals:

- An increase in the percentage of displaced residents who attain certificates and degrees.

- An increase in the number of participants who gain employment related to the training received.
- An increase in the percentage of participants who achieve wage increases due at least in part to their participation in the NWLB Initiative. In addition, the reports did not provide any information regarding outcomes pertaining to wage increases or the data necessary to evaluate if the related employment was long-term and sustainable as a result of the training that was provided.

Agency Preliminary Response: BWT stated that OSMIS was utilized in part to compile participant data used to measure progress toward the goals of NWLB. BWT added that many of the data elements used to measure the progress of NWLB were specifically created in response to NWLB and were not captured or tracked prior to NWLB. BWT stated that, as a result, it is impossible to compare previous data considering much of the data specific to NWLB was not collected or packaged in a comparable format. BWT also stated that OSMIS is a real-time database that is continuously updated. BWT added that the same report run at different times can and does produce different results.

Supplant or Duplicate Existing Services

Legislative Request: Determine whether NWLB Initiatives supplant or duplicate initiatives already having been delivered through other programs and/or funding sources, such as WIA funding and student financial aid.

OAG Determination: The NWLB Initiative marketed already existing State and federally funded workforce training as a single initiative with a long-term training focus. The State and federally funded workforce training programs within NWLB were all in existence before the NWLB Initiative was established and continued in uninterrupted operation once the NWLB Initiative was implemented.

Agency Preliminary Response: BWT concurs with this determination.

Schedule of Sources and Disposition of NWLB Funds

Legislative Request: Ascertain the sources (programs) and uses (activities) of funding for the NWLB Initiative.

OAG Determination: BWT provided two schedules regarding NWLB expenditures. These schedules present expenditure data by program and activity for the fiscal years ended September 30, 2009 and September 30, 2010. The two unaudited BWT expenditure schedules are presented in Exhibits 6 and 7.

Agency Preliminary Response: BWT concurs with this determination.

Budgetary Control

Legislative Request: Determine whether effective budgetary control existed for NWLB expenditures.

OAG Determination: BWT did not have effective budgetary control for NWLB expenditures. Budgetary controls related to the applicable workforce training programs remained unchanged under the NWLB Initiative.

As more fully described in Finding 4, BWT did not require MWAs to report budgetary and expenditure information in detail sufficient for appropriate budgetary control. More specifically, BWT did not require MWAs to provide sufficient detail in required quarterly expenditure reporting. Also, BWT did not require MWAs to submit WIA program budgets even within the limited level of detail that was required in quarterly expenditure reports.

In addition, as more fully described in Finding 5, BWT did not provide guidance to MWAs regarding the allowability and reasonableness of administrative expenditures.

Agency Preliminary Response: BWT has responded to this determination in the agency preliminary response for Findings 4 and 5.

Efficiency of NWLB Participant Processing

Legislative Request: Evaluate the efficiency of NWLB in processing participants from initial application to training completion.

OAG Determination: BWT established specific processes leading to training completion for each individual workforce training program within the NWLB initiative. However, our review disclosed that various factors impact the efficiency

of NWLB participant processing and can subsequently preclude or delay an NWLB participant from completing the workforce training program timely. Such factors include:

- a. Participant barriers. Various barriers can exist that prevent NWLB participants from completing workforce training programs. For example, barriers can include lack of transportation, lack of childcare, lack of job-seeking skills, and lack of professional attire. Each participant, in conjunction with his or her individual MWA, establishes employment goals, identifies the barriers that currently exist that prevent or delay the participant from achieving those goals, and prepares a strategy to overcome those barriers.
- b. Participant cooperation. Although some participants complete training in a timely manner, others struggle with attendance issues, poor grades, and other personal issues that impact participant training success.
- c. Availability of training. If a participant applies for training at an MWA after a public university's enrollment period, the participant must wait until the next semester or term to enroll and start training courses. Other training outlets offer more short-term training and, as a result, those training opportunities are available more frequently. Depending on the participant's employment goals, these short-term training opportunities may or may not be an option.

We selected a random sample of 40 NWLB participants and reviewed their case files to provide observations regarding processing program participants. Our reviews disclosed:

Program	Participants Completing Training	Participants Not Completing Training	Participants Still in Training	Total Participants Reviewed
WIA	14	4	3	21
TAA	1	0	3	4
JET	4	11	0	15
Total	19	15	6	40

In addition, our review disclosed that the length of training for the participants ranged from 11 days to 437 days and that the number of days between initial application and training completion was as low as 31 days but averaged 166 days.

Agency Preliminary Response: BWT concurs with this determination.

Effectiveness of Securing Long-Term Employment

Legislative Request: Evaluate the effectiveness of NWLB in ensuring that participants secure long-term meaningful employment 6 months, 12 months, and 24 months after receiving training.

OAG Determination: We could not evaluate the short-term or long-term successes of the workforce training programs associated with the NWLB Initiative because BWT did not require standardized monitoring of NWLB participants.

BWT had not evaluated whether participants secured long-term meaningful employment beyond a maximum of 12 months. The monitoring that BWT performed was limited to the minimum required by the federal program funding.

This topic is more fully described in Finding 1.

Agency Preliminary Response: BWT informed us that it was never the intent of NWLB to institute additional monitoring or performance requirements. BWT stated that NWLB participants were subject to all reporting and performance requirements associated with the funding source supporting their training, primarily WIA and TAA.

BWT also stated that it is important to note that long-term participant outcome data may be delayed by up to 18 months after a participant's exit from NWLB because of the lag in wage record data reporting used in part to measure outcomes and performance.

NWLB Oversight

Legislative Request: Evaluate the effectiveness of existing management processes and procedures in providing sufficient oversight of the operations of NWLB and provide recommendations to correct any deficiencies in such processes and procedures.

OAG Determination: BWT provided no additional oversight over the workforce training programs as a result of the NWLB Initiative.

As more fully described in Finding 2, BWT needs to improve its efforts to conduct on-site program monitoring to ensure that workforce development activities are sufficient to promote, establish, implement, and utilize methods to achieve high-level performance and outcomes.

More specifically, BWT did not conduct regular on-site program monitoring for the WIA and TAA programs, which are primary funding sources for the NWLB Initiative. Also, BWT had not developed a standardized monitoring methodology for conducting on-site monitoring at the 25 MWAs and did not use a risk-based approach to schedule on-site monitoring visits of the MWAs.

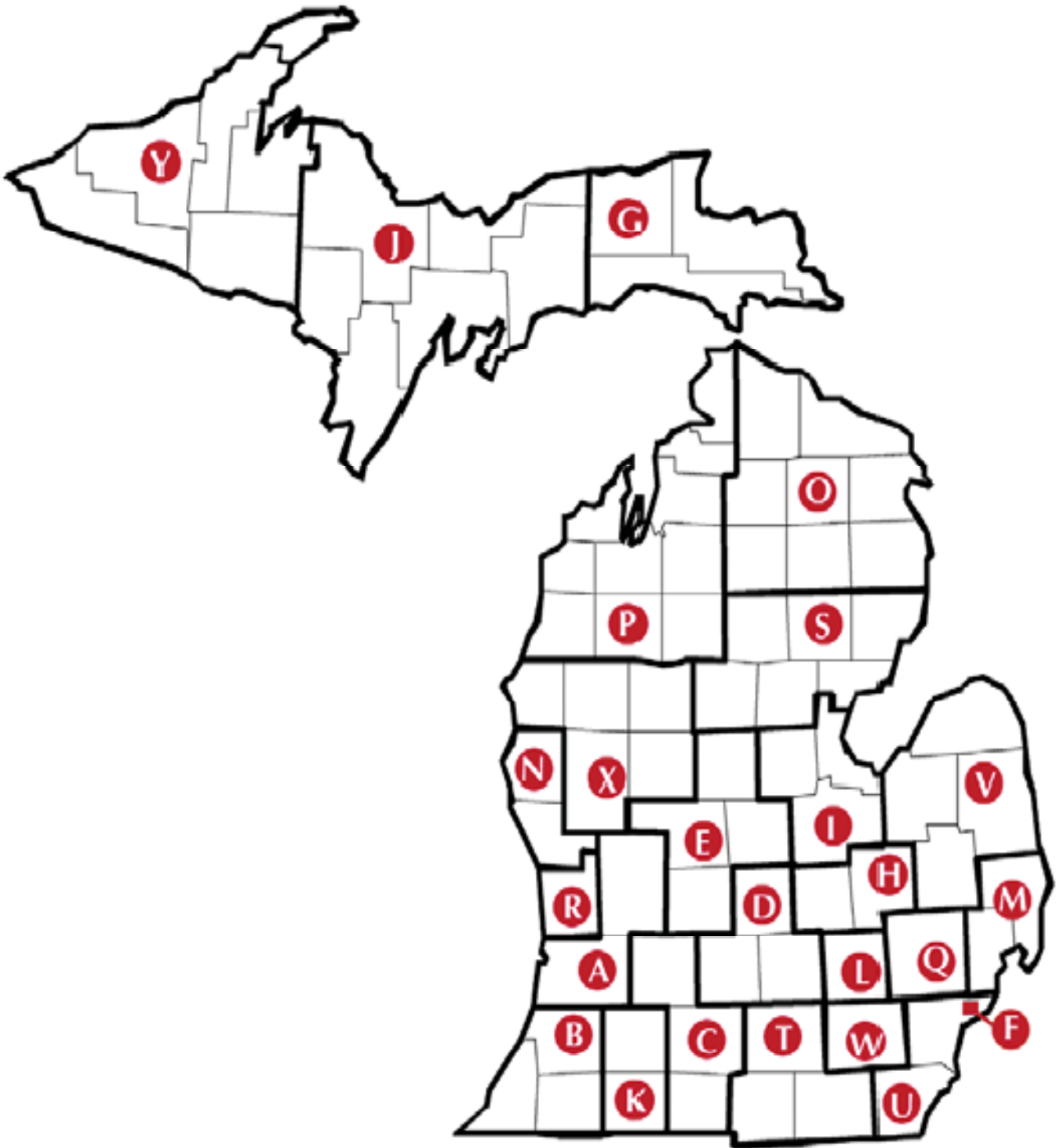
In addition, as more fully described in Finding 1, BWT had not utilized readily available information to assess each workforce training program's performance and facilitate decisions about each workforce training program's improvement.

Agency Preliminary Response: BWT has responded to this determination in the agency preliminary responses for Findings 1 and 2.

SUPPLEMENTAL INFORMATION

BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES

Workforce Development Agency, Michigan Strategic Fund
Michigan Works! Agencies



- A. Area Community Services Employment and Training (ACSET) Council
- B. Michigan Works! Berrien, Cass, Van Buren
- C. Calhoun Intermediate School District
- D. Capital Area Michigan Works!
- E. Central Area Michigan Works! Consortium
- F. Detroit Workforce Development Department, A Michigan Works! Agency
- G. Eastern Upper Peninsula Michigan Works!
- H. Genesee/Shiawassee Michigan Works!, Career Alliance, Inc.
- I. Great Lakes Bay Michigan Works!
- J. Michigan Works! The Job Force Board/Six County Employment Alliance
- K. Kalamazoo - St. Joseph Michigan Works!
- L. Livingston County Michigan Works!
- M. Macomb/St. Clair Workforce Development Board
- N. Muskegon/Oceana Consortium
- O. Northeast Michigan Consortium
- P. Northwest Michigan Council of Governments
- Q. Oakland County Michigan Works! Workforce Development Division
- R. Ottawa County Michigan Works!/Community Action Agency
- S. Michigan Works! Region 7B Employment and Training Consortium
- T. South Central Michigan Works!
- U. Southeast Michigan Community Alliance (SEMCA) Michigan Works!
- V. ThumbWorks!, A Michigan Works! Agency
- W. Washtenaw County Michigan Works!/Employment Training and Community Services Group
- X. Michigan Works! West Central
- Y. Western Upper Peninsula Michigan Works!

Source: Michigan Works! Association (<http://michiganworks.org>)

BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES
Workforce Development Agency, Michigan Strategic Fund
DELEG Distributions to MWAs
Fiscal Years 2007-08, 2008-09, and 2009-10

Michigan Works! Agency (MWA)	Fiscal Year		
	2007-08	2008-09	2009-10
ACSET Council (A)	\$ 21,346,579	\$ 26,224,145	\$ 23,127,373
Berrien/Cass/Van Buren (B)	10,494,309	13,264,235	13,305,442
Calhoun ISD (C)	8,304,981	10,076,141	10,384,188
Capital Area (D)	12,924,839	17,175,581	16,982,832
Central Area (E)	10,330,004	12,426,111	10,359,455
City of Detroit (F)	58,957,967	79,965,650	76,914,192
Eastern U.P. (G)	2,297,753	3,296,418	2,660,136
Career Alliance (H)	20,664,856	32,298,531	26,429,769
Great Lakes Bay (I)	14,737,610	19,374,532	17,378,016
The Job Force Board (J)	5,068,938	6,509,521	6,002,808
Kalamazoo - St. Joseph (K)	8,530,289	11,146,577	9,705,489
Livingston County (L)	2,906,743	5,063,554	5,824,760
Macomb/St.Clair (M)	28,155,635	47,051,593	51,461,554
Muskegon/Oceana (N)	9,746,985	11,878,861	14,143,111
Northeast (O)	5,834,170	8,058,012	7,128,405
Northwest (P)	8,362,136	12,487,003	12,532,359
Oakland County (Q)	21,702,550	32,712,847	35,998,211
Ottawa County (R)	4,885,960	7,574,694	7,803,772
Region 7B (S)	5,675,536	8,277,634	7,344,049
South Central (T)	10,393,567	15,498,402	15,331,591
SEMCA (U)	24,031,061	43,899,614	40,976,213
ThumbWorks (V)	6,190,337	12,057,032	9,847,037
Washtenaw County (W)	6,913,976	9,361,525	9,057,742
West Central (X)	5,277,115	7,219,638	7,962,893
Western U.P. (Y)	2,667,104	2,969,387	3,785,565
Total	<u>\$ 316,401,000</u>	<u>\$ 455,867,238</u>	<u>\$ 442,446,962</u>

Source: The Office of the Auditor General prepared this exhibit based on unaudited data obtained from the Department of Energy, Labor & Economic Growth (DELEG).

Exhibit 3 - Summary of Dollars Returned for Dollars Invested

Exhibit 3 presents unaudited information obtained from the Michigan Works! Association relating to the calculation of dollars returned for every dollar invested (return on investment) for the Workforce Investment Act (WIA) Adult, WIA Dislocated Worker, and Work First (changed to Jobs, Education, and Training [JET] in 2008) Programs. This information is published annually by the Michigan Works! Association in its report entitled *Return on Investment - A Report on the Public Return on Investment Value of the Michigan Works! System*.

Calculations of dollars returned for dollars invested include public assistance cost savings plus new federal and State income tax revenue compared with the average cost per placement for each program.

BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES
Workforce Development Agency, Michigan Strategic Fund
Summary of Dollars Returned for Dollars Invested
2003 through 2008

<u>Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
WIA Adult	\$ 2.00	\$ 1.60	\$ 1.64	\$ 1.40	\$ 1.09	\$ 1.33
WIA Dislocated Worker	\$ 2.92	\$ 1.85	\$ 1.79	\$ 1.53	\$ 1.16	\$ 1.37
Work First/JET	\$ 4.97	\$ 5.50	\$ 4.52	\$ 4.13	\$ 4.35	\$ 4.13

Calculations of dollars returned for dollars invested include public assistance cost savings plus new federal and State income tax revenue compared with the average cost per placement for each program.

Source: This exhibit was compiled based on unaudited Michigan Works! Association data published annually by the Association in its report entitled *Return on Investment - A Report on the Public Return on Investment Value of the Michigan Works! System*.

Exhibit 4 - Three-Year Average ROI by MWA for WIA Adult, WIA Dislocated Worker, and Work First Programs

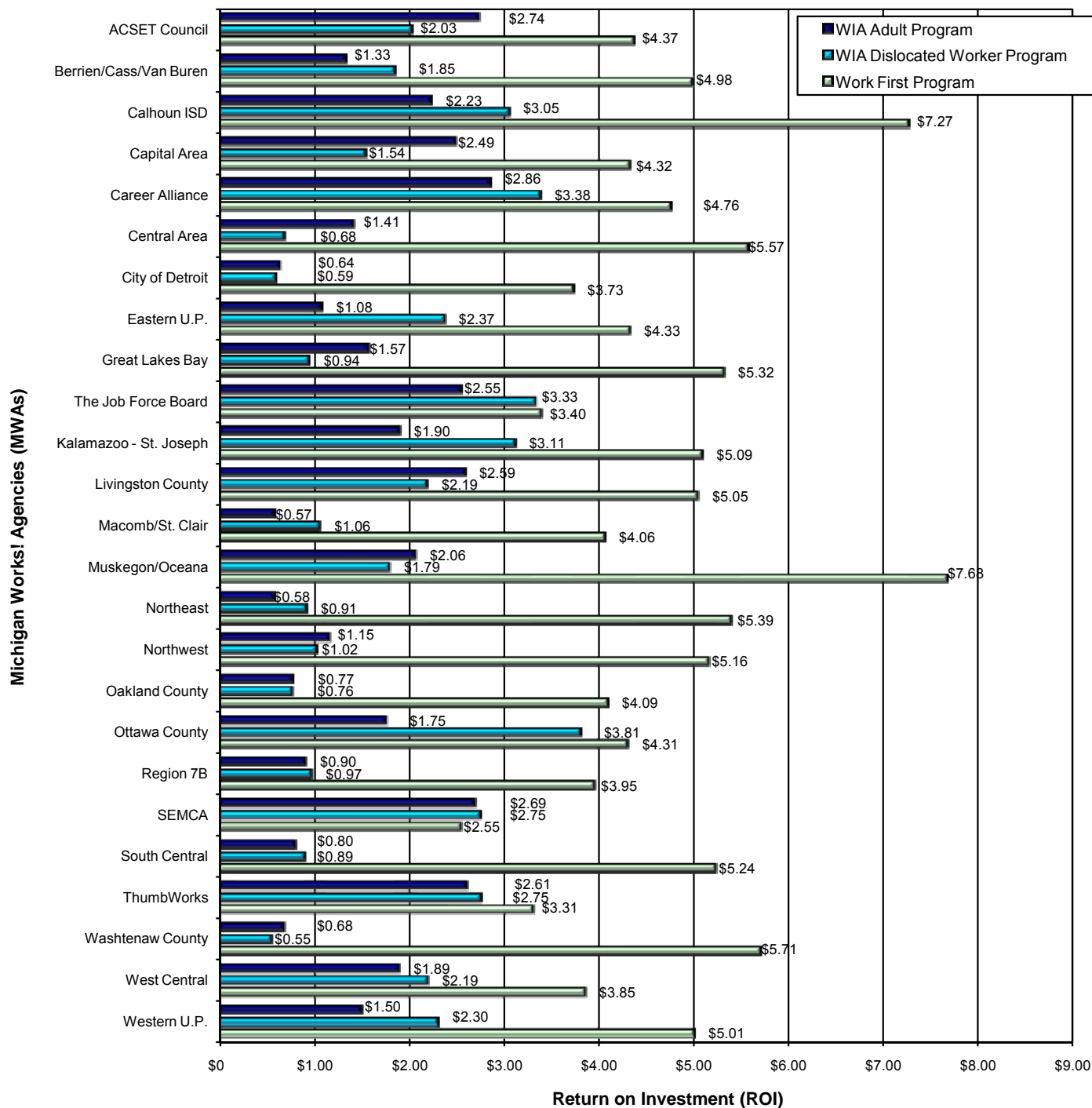
Exhibit 4 presents an unaudited three-year average return on investment (ROI) calculation of dollars returned for every dollar invested for the Workforce Investment Act (WIA) Adult, WIA Dislocated Worker, and Work First (changed to Jobs, Education, and Training [JET] in 2008) Programs by individual Michigan Works! Agencies (MWAs). The Michigan Works! Association publishes program ROI calculations annually on a Statewide basis (Exhibit 3). We used the same underlying data (not subject to audit procedures) and methodology to calculate ROI on an individual MWA basis and presented the three-year average for comparative purposes.

Calculations of dollars returned for dollars invested include public assistance cost savings plus new federal and State income tax revenue compared with the average cost per placement for each program.

For example, ROI for individual MWAs ranged from a high of \$7.68 (Muskegon/Oceana's Work First Program) to a low of \$0.55 (Washtenaw County's WIA Dislocated Worker Program). Also, ROI for 7 (28%) MWAs in the WIA Adult Program and 8 (32%) MWAs in the WIA Dislocated Worker Program failed to reach a dollar for dollar ROI.

**BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES**

Workforce Development Agency, Michigan Strategic Fund
Three-Year Average ROI by MWA for WIA Adult, WIA Dislocated Worker, and Work First Programs
2005 through 2007



Source: The Office of the Auditor General prepared this exhibit based on unaudited data obtained from the Michigan Works! Association, Department of Energy, Labor & Economic Growth (DELEG), and Department of Human Services.

Exhibit 5 - WIA Program Expenditures for Michigan Works! Agencies and Contractors

Exhibit 5 presents an unaudited comparative analysis of Michigan Works! Agency (MWA)-reported Workforce Investment Act (WIA) program expenditures (in total and by individual WIA program) for the period from July 1, 2006 through June 30, 2007 for the 12 MWAs that provided this level of detail to us in our survey of MWAs. The remaining 13 MWAs did not or could not report the information to us. The analysis lists the total expenditures for each MWA and its contractors for salary (including salaries, wages, and benefits); participant-direct (including participant training, tuition, and books); and other (including all remaining expenditures). This analysis also provides the correlating percentages for each component.

In addition, this analysis identifies a broad range of results. For example, one MWA had total WIA expenditures of \$12.3 million and expended 71% of its funding on participant-direct expenditures and another MWA had total WIA expenditures of \$8.3 million and expended 29% of its funding on participant-direct expenditures whereas the MWA average was 35%. Similar variances exist within individual WIA program funding. For example, one MWA had WIA Dislocated Worker Program expenditures of \$1.1 million and expended 63% of its funding on salaries and another MWA had WIA Dislocated Worker Program expenditures of \$1.1 million and expended 22% of its funding on salaries whereas the MWA average was 46%.

**BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES**

Workforce Development Agency, Michigan Strategic Fund
WIA Program Expenditures for Michigan Works! Agencies and Contractors
For the Period July 1, 2006 through June 30, 2007

Total WIA Adult, WIA Dislocated Worker, and Youth Programs

	Expenditures				Percentage*		
	Salary	Participant-Direct	Other	Total	Salary	Participant-Direct	Other
Calhoun ISD	\$ 1,576,471	\$ 669,529	\$ 214,139	\$ 2,460,139	64%	27%	9%
Career Alliance	3,831,892	1,104,043	2,019,321	6,955,256	55%	16%	29%
City of Detroit	10,182,057	5,631,939	5,350,762	21,164,759	48%	27%	25%
Kalamazoo/St. Joseph	1,673,159	627,343	370,866	2,671,368	63%	23%	14%
Livingston County	326,689	495,134	26,032	847,855	39%	58%	3%
Macomb/St. Clair	2,820,281	8,703,602	760,190	12,284,073	23%	71%	6%
Northeast	1,835,619	394,960	549,134	2,779,713	66%	14%	20%
Ottawa County	930,348	615,535	329,724	1,875,607	50%	33%	18%
Region 7B	1,365,800	403,948	512,654	2,282,402	60%	18%	22%
SEMCA	4,169,573	2,437,697	1,718,742	8,326,012	50%	29%	21%
ThumbWorks	859,519	1,138,528	1,254,554	3,252,601	26%	35%	39%
Western U.P.	132,961	799,797	206,486	1,139,243	12%	70%	18%
Total / Average Percent	<u>\$ 29,704,368</u>	<u>\$ 23,022,056</u>	<u>\$ 13,312,604</u>	<u>\$ 66,039,027</u>	45%	35%	20%

WIA Adult Program

	Expenditures				Percentage*		
	Salary	Participant-Direct	Other	Total	Salary	Participant-Direct	Other
Calhoun ISD	\$ 449,094	\$ 250,699	\$ 56,407	\$ 756,201	59%	33%	7%
Career Alliance	1,491,096	302,550	798,481	2,592,127	58%	12%	31%
City of Detroit	3,068,251	2,002,089	1,787,094	6,857,435	45%	29%	26%
Kalamazoo/St. Joseph	422,188	219,813	118,990	760,992	55%	29%	16%
Livingston County	64,934	141,543	4,858	211,335	31%	67%	2%
Macomb/St. Clair	830,304	3,048,213	290,713	4,169,230	20%	73%	7%
Northeast	568,339	220,424	225,577	1,014,340	56%	22%	22%
Ottawa County	249,108	151,829	88,059	488,996	51%	31%	18%
Region 7B	420,321	246,036	182,862	849,219	49%	29%	22%
SEMCA	1,163,822	843,271	405,477	2,412,571	48%	35%	17%
ThumbWorks	417,173	425,212	618,320	1,460,705	29%	29%	42%
Western U.P.	48,770	365,741	65,257	479,768	10%	76%	14%
Total / Average Percent	<u>\$ 9,193,401</u>	<u>\$ 8,217,421</u>	<u>\$ 4,642,097</u>	<u>\$ 22,052,918</u>	42%	37%	21%

This exhibit continued on next page.

BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES
Workforce Development Agency, Michigan Strategic Fund
WIA Program Expenditures for Michigan Works! Agencies and Contractors
For the Period July 1, 2006 through June 30, 2007
(Continued)

WIA Dislocated Worker Program

	Expenditures				Percentage*		
	Salary	Participant-Direct	Other	Total	Salary	Participant-Direct	Other
Calhoun ISD	\$ 663,732	\$ 299,013	\$ 96,944	\$ 1,059,689	63%	28%	9%
Career Alliance	1,364,326	92,305	810,892	2,267,524	60%	4%	36%
City of Detroit	3,994,274	1,476,717	1,955,588	7,426,579	54%	20%	26%
Kalamazoo/St. Joseph	576,852	178,016	108,720	863,589	67%	21%	13%
Livingston County	111,106	293,318	15,662	420,086	26%	70%	4%
Macomb/St. Clair	1,297,845	3,744,224	425,836	5,467,905	24%	68%	8%
Northeast	527,082	46,671	201,894	775,647	68%	6%	26%
Ottawa County	384,366	285,908	52,915	723,189	53%	40%	7%
Region 7B	328,074	131,707	187,517	647,298	51%	20%	29%
SEMCA	2,014,295	1,408,082	815,972	4,238,350	48%	33%	19%
ThumbWorks	229,637	556,515	278,482	1,064,634	22%	52%	26%
Western U.P.	37,682	190,625	36,375	264,683	14%	72%	14%
Total / Average Percent	<u>\$ 11,529,272</u>	<u>\$ 8,703,101</u>	<u>\$ 4,986,798</u>	<u>\$ 25,219,171</u>	46%	35%	20%

Youth Program

	Expenditures				Percentage*		
	Salary	Participant-Direct	Other	Total	Salary	Participant-Direct	Other
Calhoun ISD	\$ 463,645	\$ 119,817	\$ 60,787	\$ 644,250	72%	19%	9%
Career Alliance	976,469	709,189	409,947	2,095,605	47%	34%	20%
City of Detroit	3,119,531	2,153,133	1,608,080	6,880,745	45%	31%	23%
Kalamazoo/St. Joseph	674,118	229,514	143,155	1,046,787	64%	22%	14%
Livingston County	150,649	60,273	5,512	216,434	70%	28%	3%
Macomb/St. Clair	692,132	1,911,165	43,641	2,646,938	26%	72%	2%
Northeast	740,198	127,866	121,663	989,726	75%	13%	12%
Ottawa County	296,874	177,798	188,750	663,422	45%	27%	28%
Region 7B	617,405	26,205	142,275	785,885	79%	3%	18%
SEMCA	991,455	186,343	497,292	1,675,091	59%	11%	30%
ThumbWorks	212,709	156,801	357,753	727,262	29%	22%	49%
Western U.P.	46,508	243,430	104,854	394,792	12%	62%	27%
Total / Average Percent	<u>\$ 8,981,695</u>	<u>\$ 6,101,534</u>	<u>\$ 3,683,709</u>	<u>\$ 18,766,938</u>	48%	33%	20%

Source: The Office of the Auditor General prepared this exhibit based on unaudited data reported by the 12 individual MWAs.

* Percentages may not total 100% because of rounding.

BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES
Workforce Development Agency, Michigan Strategic Fund
Schedule of NWLB Expenditures by Program
Fiscal Years Ended September 30

	<u>2010</u>	<u>2009</u>
WIA Program:		
WIA Adult	\$ 50,010,340	\$ 74,413,672
WIA Dislocated Worker (DW)	69,274,437	53,005,024
Incentive	561,906	1,179,458
American Recovery and Reinvestment Act (ARRA) Adult	12,677,025	9,784,319
ARRA DW	29,807,311	12,233,627
ARRA Statewide Activity (SWA) No Worker Left Behind (NWLB)	1,605,346	1,365,326
DW ARRA National Emergency Grant (NEG)	23,403,108	
Auto NEG	1,054,102	5,661,522
ARRA SWA Energy Conservation Apprenticeship Readiness	815,220	78,324
Incumbent Worker	3,413,962	4,923,468
Total WIA Program	<u>\$ 192,622,757</u>	<u>\$ 162,644,739</u>
Trade Adjustment Assistance (TAA) Program	<u>\$ 62,554,588</u>	<u>\$ 37,474,859</u>
Jobs, Education, and Training (JET) Program:		
Temporary Assistance for Needy Families (TANF)	\$ 71,713,036	\$ 70,799,054
Plus		6,918,340
SWA	6,061,174	3,207,848
General Fund/general purpose (GF/GP)	12,893,519	18,120,736
Total JET Program	<u>\$ 90,667,730</u>	<u>\$ 99,045,978</u>
Other Programs:		
Food Assistance Employment and Training	\$ 3,328,601	\$ 3,111,025
Grainger Funding	50,000	327
Total other programs	<u>\$ 3,378,601</u>	<u>\$ 3,111,352</u>
NWLB GF/GP	<u>\$ 0</u>	<u>\$ 7,145,770</u>
Total	<u><u>\$ 349,223,677</u></u>	<u><u>\$ 309,422,698</u></u>

Source: DELEG's Bureau of Workforce Transformation.

Refer to pages 53 through 55 for BWT's program definitions.

Exhibit 6 - NWLB Program Definitions

WIA Program: The Workforce Investment Act (WIA) of 1998 reformed federal job training programs and created a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers.

WIA Adult Program: The WIA Adult Program provides workforce investment activities that increase the employment, retention, and earnings of participants and increase occupational skill attainment by participants, which will improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the economy. The broader universal adult population is eligible for services under this program, pending funding availability.

WIA Dislocated Worker Program: The WIA Dislocated Worker Program provides workforce investment activities that increase the employment, retention, earnings, and occupational skill level attainment of participants, which will improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the economy. Specific eligibility requirements apply.

Incentive Program: WIA Statewide Activities funding is awarded to Michigan Works! Agencies as a reward for exemplary performance on one or more of the 17 statutorily required WIA performance measures. According to WIA, states are required to make such awards annually.

American Recovery and Reinvestment Act of 2009 (ARRA) Adult: Additional WIA Adult Program funding was awarded through ARRA with generally the same use and parameters as regular WIA Adult Program funding.

ARRA DW: Additional WIA Dislocated Worker (DW) Program funding was awarded through ARRA with generally the same use and parameters as regular WIA Dislocated Worker Program funding.

ARRA Statewide Activity (SWA) No Worker Left Behind (NWLB): Discretionary federal funding was awarded to Michigan Works! Agencies to provide allowable services to individuals eligible under NWLB.

DW ARRA National Emergency Grant (NEG): National Emergency Grant (NEG) funding was awarded to select Michigan Works! Agencies within three defined regions to provide all allowable services to eligible WIA Dislocated Workers. The dislocation date had to be within a specific time frame and the worker had to be dislocated from companies on an approved list.

Auto NEG: NEG funding was awarded to Michigan Works! Agencies to provide all allowable services to eligible WIA DWs, with an emphasis placed on individuals who were dislocated from the automotive industry and individuals whose communities have been impacted by the restructuring of the automotive industry. The dislocation date had to be within a specific time frame and the worker had to be dislocated from companies on an approved list.

ARRA SWA Energy Conservation Apprenticeship Readiness: This funding provides apprenticeship readiness training for women, minorities, and economically disadvantaged persons in the energy conservation-related construction trades.

Incumbent Worker: By definition, an incumbent worker (IW) is an individual who is employed. The IW Program is targeted to specific employers or industries that are experiencing a decline and have the potential to undergo layoffs.

Trade Adjustment Assistance (TAA) Program: The TAA Program assists workers who suffer a job dislocation as a result of foreign trade. To receive benefits under the TAA Program, companies and their workers must be certified by the U.S. Department of Labor.

Jobs, Education, and Training (JET) Program: The JET Program consists of activities designed to help families move toward financial independence. It was designed to fulfill the requirements of the federal Temporary Assistance for Needy Families (TANF) laws. Participation in the JET Program is required to fulfill federally mandated work participation requirements.

Temporary Assistance for Needy Families (TANF): TANF provides federal financial help for children and their parents or relatives who are living with them. Monthly cash payments help pay for food, clothing, housing, utilities, furniture, transportation, telephone, laundry, household equipment, medical supplies not paid for by Medicaid, and other basic needs. The amount of the TANF payment depends on family size and income.

Plus: The JET Plus Program is an aggressive and innovative wraparound strategy designed to help Michigan's TANF recipients enter training that leads to career employment and self-sufficiency. JET Plus is also designed to assist in meeting Michigan's federal work participation requirement.

SWA: WIA Statewide Activity (SWA) funds have been utilized in past years to support the JET Program. WIA SWA funds are not an additional WIA award. This pool of discretionary funding is created by combining 15% of the State's WIA Adult, WIA Dislocated Worker, and Youth Programs' funding streams.

General Fund/general purpose (GF/GP): State of Michigan General Fund/general purpose funds are utilized to support the JET Program.

Food Assistance Employment and Training (FAE&T): The FAE&T Program is designed to establish a connection to the labor market for able-bodied adults without dependents. Able-bodied adults without dependents must participate in the FAE&T Program to retain food stamp eligibility.

Grainger Funding: Funding given to the State for NWLB by W.W. Grainger, Inc., as part of a public/private partnership to address the shortage of skilled workers in the technical trade professions.

NWLB GF/GP: Some State of Michigan General Fund/general purpose funding is designated by the Legislature specifically to be used for NWLB.

**BUREAU OF WORKFORCE TRANSFORMATION'S OVERSIGHT
OF THE MICHIGAN WORKS! AGENCIES**
Workforce Development Agency, Michigan Strategic Fund
Schedule of NWLB Expenditures by Activity
Fiscal Years Ended September 30

Activity	Programs							Total
	WIA	TAA	JET	JET GF/GP	NWLB GF/GP	FAE&T	Grainger	
2010								
Administration	\$ 1,729,989	\$ 3,168,759	\$ 6,467,957	\$ 1,314,771	\$	\$ 344,052	\$	\$ 13,025,528
Program Costs	7,001,132		5,571,518				50,000	12,622,650
Core Services	40,552,910							40,552,910
Intensive Services	36,931,999							36,931,999
Training Services	104,621,849	56,995,643						161,617,492
Work Subsidies			815,985	8,095				824,080
Education and Training Activities			9,102,087	1,105,344		466,716		10,674,147
Other Work Activities			44,331,131	9,187,178				53,518,309
Supportive Services	95,215		8,786,245	476,738				9,358,198
Other	1,689,663	2,390,186	2,699,287	801,393		2,517,834		10,098,363
Total	\$ 192,622,757	\$ 62,554,588	\$ 77,774,210	\$ 12,893,519	\$ 0	\$ 3,328,601	\$ 50,000	\$ 349,223,677
2009								
Administration	\$ 743,896	\$ 2,549,963	\$ 6,496,190	\$ 1,692,499	\$ 163,719	\$ 227,019	\$	\$ 11,873,286
Program Costs	12,464,201		3,013,279		230,920		327	15,708,727
Core Services	32,364,675							32,364,675
Intensive Services	27,991,605							27,991,605
Training Services	88,406,020	34,636,182						123,042,202
Work Subsidies			501,300	71,146	17,098			589,544
Education and Training Activities			9,697,970	2,570,808	6,213,776	719,407		19,201,961
Other Work Activities			45,826,130	12,185,285	512,861			58,524,276
Supportive Services			13,621,193	1,039,791				14,660,985
Other	674,342	288,713	1,769,180	561,207	7,396	2,164,600		5,465,438
Total	\$ 162,644,739	\$ 37,474,859	\$ 80,925,242	\$ 18,120,736	\$ 7,145,770	\$ 3,111,025	\$ 327	\$ 309,422,698

Source: DELEG's Bureau of Workforce Transformation.

Refer to pages 57 and 58 for BWT's activity definitions.

Exhibit 7 - NWLB Activity Definitions

Administration: Individuals performing the overall general administrative functions, such as accounting, budgeting, payroll, etc.

Program Costs: Expenditures for allowable activities for participants.

Core Services: Basic services for participants, such as assessments, program information, general information, job search, and group activities.

Intensive Services: Nine broad categories of intensive services: comprehensive/specialized assessment, individual employment planning, counseling, short-term prevocational skills, case management, literacy activities, out-of-area job search, relocation assistance, and internship and work experience.

Training Services: Services which may include on-the-job, occupational skill, skills upgrade, workplace, classroom, entrepreneurial, job readiness, and customized training and adult education and literacy.

Work Subsidies: Payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, or training. The payments do not include expenditures related to payments to participants in community service and work experience activities that are within the definition of assistance.

Education and Training Activities: Activities which may include satisfactory attendance at a secondary school or in a course of study leading to a certificate of general equivalence; education directly related to employment (may include adult basic skills education and English as a Second Language [ESL]); and vocational education training (includes vocational occupational training; condensed vocational training; and internships, practicums, and clinicals and may also include ESL and basic and remedial education).

Other Work Activities: May include: (a) work activities that have not been reported as education or work subsidies (including staff costs related to providing work experience and community service activities, on-the-job training, job search and job readiness, and job skills training); (b) related services (such as employment counseling, coaching, job development, information and referral, and outreach to business and non-profit community groups); and (c) other work-related expenditures (such as costs for work clothes and equipment). Such costs are included when provided as part of a diversion program or as transitional services to individuals who ceased to receive assistance due to employment.

Supportive Services: Services which may include automotive purchases; public transportation allowance (this includes any fees related to open-door public transportation, such as bus tokens, taxi fares, etc.); automotive related expenses (this includes automobile repairs, participant mileage reimbursement, license and registration fees, etc.); and other supportive services (this includes mileage paid to volunteer drivers, clothing/uniform allowances, professional tools, business start-up expenditures, moving expenditures, etc.).

Other: Includes incumbent worker waiver costs, job search and relocation, job search readiness, workfare, case management, unsubsidized employment, and information technology and computerization.

GLOSSARY

Glossary of Acronyms and Terms

ACSET	Area Community Services Employment and Training.
American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009.
BWT	Bureau of Workforce Transformation.
continuous quality improvement (CQI)	A process that aligns the vision and mission of an organization with the needs and expectations of internal and external customers. It normally includes a process to improve program effectiveness and efficiency by assessing performance indicators that measure outputs and outcomes related to the program vision, mission, goals, and objectives.
DELEG	Department of Energy, Labor & Economic Growth.
dislocated worker (DW)	<p>An individual who:</p> <p>(1) Has been terminated or laid off or who has received a notice of termination or layoff from employment AND is eligible for or has exhausted entitlement to unemployment compensation OR has been employed for a duration sufficient to demonstrate to the appropriate entity at a One-Stop Center attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under a state unemployment compensation law AND is unlikely to return to a previous industry or occupation.</p>

- (2) Has been terminated or laid off, or has received notice of termination or layoff, from employment as a result of any permanent closure of or any substantial layoff at a plant, facility, or enterprise OR who is employed at a facility at which the employer has made a general announcement that such facility will close within 180 days OR for the purposes of eligibility to receive services other than training services, intensive services, or supportive services, is employed at a facility at which the employer has made a general announcement that such facility will close.
- (3) Is self-employed but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disaster.
- (4) Is a displaced homemaker.

displaced
homemaker

An individual who has been providing unpaid services to family members in the home and who:

- (1) Has been dependent on the income of another family member but is no longer supported by that income; and
- (2) Is unemployed or underemployed, and is experiencing difficulty in obtaining or upgrading employment.

effectiveness

Success in achieving mission and goals.

efficiency

Achieving the most outputs and outcomes practical with the minimum amount of resources.

emerging industry

An industry, usually formed by a new product or idea that is in the early stages of development. Companies in these

industries have yet to establish themselves in the larger market. Demand for the product, the growth potential, and market conditions of the industry have the potential of providing economic benefit.

ESL	English as a Second Language.
FAE&T	Food Assistance Employment and Training.
GF/GP	General Fund/general purpose.
goal	An intended outcome of a program or an agency to accomplish its mission.
incumbent worker (IW)	An individual who is employed, but does not necessarily have to meet the eligibility requirements for intensive and training services for employed adults and dislocated workers at Title 20, Part 663, Sections 220(b) and 310 of the <i>Code of Federal Regulations</i> (WIA Section 134 (a)(3)(A)(iv)(I)).
ISD	intermediate school district.
Jobs, Education, and Training (JET) Program	<p>A program that consists of activities designed to help families move toward financial independence. It was designed to fulfill the requirements of the federal Temporary Assistance to Needy Families (TANF) laws. All TANF recipients are required to participate, unless they are unable.</p> <p>Jet Program participants are required, unless unable, to complete specified hours of work participation activities in cooperation with the MWAs as a condition of receiving cash assistance payments. Failure to complete the required number of work participation hours jeopardizes the participant's receipt of cash assistance payments.</p>

long-term training	Training that continues for one school year or more.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
Michigan Works! Agency (MWA)	The 25 local agencies that administer the day-to-day operations of local workforce development programs and services.
Michigan Works! Association	A 501(c) tax-exempt organization established in 1987 to provide leadership and services and promote quality and excellence for the advancement of Michigan's Workforce Development System and its customers and professionals. The Association's members include the workforce development board chairs, local elected officials, and the 25 MWAs. The Association also offers associate membership to organizations with a vested interest in workforce development.
Michigan Works! System	Michigan Works! One-Stop Service Center System.
M-TEC	Michigan Technical Education Center.
NEG	National Emergency Grant.
NWLB	No Worker Left Behind.
OAG	Office of the Auditor General.
OSMIS	One Stop Management Information System.
outcome	An actual impact of a program or an agency.

output	A product or a service produced by a program or an agency.
participant-direct	An expenditure made by an MWA or one of its contractors that has a direct impact on a program participant. Examples include expenditures for training, tuition, and books.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve program operations, to facilitate decision making by parties responsible for overseeing or initiating corrective action, and to improve public accountability.
performance standard	A desired level of output or outcome.
reportable condition	A matter that, in the auditor's judgment, falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the objectives of the audit; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
return on investment (ROI)	Calculations of dollars returned for dollars invested include public assistance cost savings plus new federal and State income tax revenue compared with the average cost per placement for each program.
SEMCA	Southeast Michigan Community Alliance.
SWA	Statewide Activity.

Trade Adjustment Assistance (TAA) Program	A program that provides aid, including training for employment in another job or career, to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports.
TANF	Temporary Assistance for Needy Families.
U.P.	Upper Peninsula.
USDOL	U.S. Department of Labor.
WIA	Workforce Investment Act of 1998.
WIA program	A program that supports retraining and helping unemployed and underemployed workers find jobs.

